

STATE FINANCE COMMITTEE  
OLYMPIA, WASHINGTON

May 22, 2001

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present:               Michael J. Murphy, State Treasurer  
                            Gary Locke, Governor

Also Present:       Allan J. Martin, Office of the State Treasurer  
                            Dean Torkelson, Seattle Northwest Securities  
                            Kristi Wolgamot, Office of the State Treasurer  
                            Darlene DeRose, Montague DeRose & Associates  
                            Svein Braseth, Office of the State Treasurer  
                            Jeanne Cushman, Office of the Attorney General  
                            Nancy Adams, Office of the State Treasurer/PDPC  
                            Bill Tonkin, Foster Pepper & Shefelman  
                            David Landes, Thomson Financial/Parity  
                            Gretchen Gale, Office of the State Treasurer  
                            Susan Musselman, Susan D. Musselman Inc.  
                            Rob Shelley, Seattle Northwest Securities  
                            Annette Sommer, Seattle Northwest Securities  
                            Bill Starkey, Department of Transportation  
                            Mike Clarey, Office of the State Treasurer  
                            Barton Potter, Office of the State Treasurer  
                            Sue Melvin, Office of the State Treasurer  
                            Suzanne Coit, Office of the State Treasurer  
                            Mike Roberts, Office of Financial Management  
                            Vicki Cox, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Mr. Martin said there was a correction on the third page of the minutes; Davis should be Davies. Governor Locke moved the minutes for the January 23, 2001 meeting be approved. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted. Chairman Murphy said the order of the agenda would be changed due to waiting for final numbers from the resizing of the refunded bonds.

Ms. Wolgamot said proposed Resolution No. 940 authorizes the issuance and sale of an amount up to \$10,785,000 of state of Washington Certificates of Participation plus financing costs and required reserves for the State Board for Community and Technical Colleges on behalf of Bellevue Community College and Spokane Community College pursuant to Laws of 2000, 2<sup>nd</sup> Sp. Sess., Chapter 1, Section 1045(4)(g) and (o) and for the refinancing of certain outstanding

financing contracts (and Certificates of Participation therein) originally entered into on behalf of Shoreline Community College and Edmonds Community College pursuant to Laws of 1991, Ex. Sess., Chapter 14, Section 47(3)(e) and (k). Proceeds of the sale will be used for construction and remodeling of buildings on the Bellevue Community College and Spokane Community College campuses and for the advance refunding of the Shoreline Community College Certificates of Participation dated December 1, 1991, and Edmonds Community College Certificates of Participation dated, July 1, 1992. The advance refundings will only be included subject to market conditions. The State Board for Community and Technical Colleges received authorization from the Legislature to enter into financing contracts on behalf of Bellevue Community College and Spokane Community College for the 1999-2001 biennium. The legislative authorization for Shoreline Community College and Edmonds Community College occurred during the 1991-1993 biennium.

Mr. Martin presented proposed Resolution No. 940 to the committee.

Resolution No. 940 approves State Agency Financing Leases and related documents to be entered into by the State Board for Community and Technical Colleges on behalf of Spokane Community College for the remodeling and additions to the Lair Student Center and on behalf of Bellevue Community College for the construction of an instructional and administrative facility, as authorized by Laws of 2000, 2<sup>nd</sup> Sp. Sess., Chapter 1, Sections 1045(4)(g) and (o), respectively, and on behalf of Edmonds Community College and Shoreline Community College for the refinancing of certain outstanding financing contracts (and certificates of participation therein) originally entered into on behalf of those community colleges for the financing of the acquisition of an office building and the construction of an automotive training center, as authorized by Laws of 1991, Ex. Sess., Chapter 14, Sections 47(3)(e) and (k), respectively, and the issuance and sale of up to approximately \$8,615,000, plus financing expenses and required reserves, of State of Washington Certificates of Participation, State Board for Community and Technical Colleges, Series 2001B (Bellevue Spokane, Edmonds and Shoreline Projects), therein.

Governor Locke moved to adopt Resolution No. 940. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 941 provides for the issuance and sale of \$306,595,000 State of Washington Various Purpose General Obligation Bonds, Series 2002A, authorized by Chapter 14, Laws of 1989, 1<sup>st</sup> Sp. Sess.; Chapter 15, Laws of 1990, 1<sup>st</sup> Ex. Sess; and Chapter 380, Laws of 1999; and Chapter 39.42 RCW for the purpose of providing funds to pay and reimburse the state for various state capital project expenditures; fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds. The Series 2002A will be used to fund cash flow requirements for construction of state capital projects. Bond proceeds from this proposed issue are to be deposited or transferred to the following funds: State Building Construction Account (fund 057), State Higher Education Construction Account (fund 056), Outdoor Recreation

Account (fund 070), Habitat Conservation Account (fund 244), and Higher Education Construction Account (fund 01L).

Mr. Martin presented proposed Resolution No. 941 to the committee.

Resolution No. 941 authorizing the issuance and sale of \$306,595,000 State of Washington Various Purpose General Obligation Bonds, Series 2002A, authorized by Chapter 14, Laws of 1989, 1<sup>st</sup> Sp. Sess.; Chapter 15, Laws of 1990, 1<sup>st</sup> Ex. Sess; and Chapter 380, Laws of 1999; and Chapter 39.42 RCW.

Governor Locke moved to adopt Resolution No. 941. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 942 provides for the issuance and sale of \$31,500,000 State of Washington Various Purpose General Obligation Bonds, Series 2002T (Taxable), authorized by Chapter 380, Laws of 1999, and Chapter 39.42 RCW, for the purpose of providing funds to pay the state for housing assistance, weatherization and affordable housing project expenditures; fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds. The Housing Trust Fund with the Washington State Office of Community Development (OCD) helps provide safe and affordable housing in communities throughout the state. The Housing Trust Fund supports the construction or rehabilitation of more than 3,000 housing units each biennium. These programs, known collectively as the Housing Trust Fund (HTF), provide low-interest loans and grants from bond proceeds to private non-profit entities, which may include charitable 501(C) (3) organizations. The sale of taxable bonds is proposed to help assure compliance with applicable federal tax laws by providing a source of funds (other than proceeds of tax-exempt bonds) for expected or potential expenditures to make HTF loans to nongovernmental persons or to provide facilities that otherwise would not qualify for tax-exempt financing.

Mr. Martin presented proposed Resolution No. 942 to the committee.

Resolution No. 942 authorizing the issuance and sale of \$31,500,000 State of Washington Various Purpose General Obligation Bonds, Series 2002T (Taxable), authorized by Chapter 380, Laws of 1999, and Chapter 39.42 RCW.

Governor Locke moved to adopt Resolution No. 942. Chairman Murphy seconded the motion and the resolution was adopted.

Chairman Murphy said over the past two years, the State of Washington (the “State”) has permitted the use of electronic bidding in connection with the competitive sale of State General Obligation Bonds. Since the State’s first sale permitting electronic bids in early 1999, such bids have essentially become the method of choice for bidders. Given that the Certificate of Participation Program may benefit from electronic bidding as well, the current status of the electronic bid market, and the pending expiration of letter agreements with the electronic bid providers, it is timely to revisit the State use of such bidding methods. Three providers currently

offer electronic delivery of bids in the municipal marketplace. They are Bloomberg, MuniAuction, and Parity. All three providers have been approved as “Qualified Electronic Bid Providers” by the State, based on the signing of a letter agreement that covers certain terms and conditions. The letter agreement expires on June 30, 2001.

Chairman Murphy said given the pending expiration of the letter agreement, the State has an opportunity to refine its use of electronic bid providers for the General Obligation Bond program, as well to tailor use for the COP bond sales. Such refinement may alleviate additional administrative burden on staff and the State’s finance team. Based on the trend in national market share, as well as the State’s experience, it appears that Parity has become the dominant provider. Parity’s web site, technical support and sales support is excellent. Chairman Murphy noted that it was recommended by staff and financial advisors that the State consider using Parity for its competitive General Obligation and COP bond sales. This does not necessarily preclude the State from employing one of the other providers at a future date, should the financing structure or situation warrant. Chairman Murphy introduced Mr. Landes of Thomson Financial.

At 10:12 a.m., the State Finance Committee was adjourned to convene the Public Deposit Protection Commission. The Public Deposit Protection Commission was adjourned at 10:17 a.m. to reconvene the State Finance Committee.

Mr. Martin said proposed Resolution No. 938 accepts the bids for the purchase of State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2001A, in the aggregate principal amount of \$433,065,000, more or less, as authorized by Chapters 39.42 and 39.53 RCW and Resolution No. 818 of the committee. Mr. Martin said four bids were received and accepted electronically through Parity at 8:00 a.m. Lehman Brothers submitted a true interest cost (TIC) of 4.0510853%; Merrill Lynch & Co. submitted a TIC of 4.0725492%; Morgan Stanley, Dean Witter submitted a TIC of 4.1279001% and Salomon Smith Barney submitted a TIC of 4.0789663%, with the apparent low bidder being Lehman Brothers.

Mr. Martin referred to the Seattle Northwest Securities’ Refunding Results which showed statistics from refundings since 1984. Present value savings came to \$37,690,416 at 9.3% with gross savings at \$44,792,691. The committee’s guideline is at least 5%. Mr. Tonkin and Mr. Torkelson agreed this was substantial savings to the State.

Mr. Martin presented proposed Resolution No. 938 to the committee.

Resolution No. 938 awards the sale of approximately \$433,065,000 State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2001A, authorized by Chapters 39.42 and 39.53 RCW and Resolution No. 818 of the Committee.

Governor Locke moved to adopt Resolution No. 938. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 939 accepts the bids for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2001B, in

the aggregate principal amount of \$124,405,000, more or less, as authorized by Chapters 39.42 and 39.53 RCW and Resolution No. 818 of the committee. Mr. Martin said four bids were received and accepted electronically through Parity at 8:00 a.m. Merrill Lynch & Co. submitted a true interest cost (TIC) of 4.0468087%; Morgan Stanley, Dean Witter's submitted a TIC of 4.0850835%; Salomon Smith Barney submitted a TIC of 4.0482661%; U.S. Bancorp Piper Jaffray submitted a TIC of 4.0440718%, with the apparent low bidder being U.S. Bancorp Piper Jaffray.

Mr. Martin said the gross savings was \$12,285,233, with present value savings at \$10,380,143 at 8.7%. Mr. Tonkin and Mr. Torkelson agreed this was substantial savings to the state.

Mr. Martin presented proposed Resolution No. 939 to the committee.

Resolution No. 939 awards the sale of approximately \$124,405,000 State of Washington Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2001B, authorized by Chapters 39.42 and 39.53 RCW and Resolution No. 818 of the Committee.

Governor Locke moved to adopt Resolution No. 939. Chairman Murphy seconded the motion and the resolution was adopted.

Chairman Murphy said the net result of both bond sales was an unprecedented present value savings to the state of \$48,070,559 at 9.2%.

There being nothing further to come before the committee, the meeting was adjourned at 10:25 a.m.

STATE FINANCE COMMITTEE  
STATE OF WASHINGTON

---

Michael J. Murphy, State Treasurer & Chairman

---

Gary Locke, Governor & Member

---

Brad Owen, Lieutenant Governor & Member

---

Allan J. Martin  
Deputy State Treasurer & Secretary